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SUBJECT: TURKISH ECONOMIC TEAM EAGER TO MEET WITH NEW U.S.  
COUNTERPARTS

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¶1. (SBU) Summary. In a January 13 courtesy call, Turkish Deputy Prime Minister Nazim Ekren told the Ambassador he wants to visit Washington to meet with President-elect Obama's top economic leaders as soon as practical. The Ambassador said he would be pleased to support such a visit, although he cautioned it would be best to wait until key staff are in place. Ekren advised that negotiations with the visiting IMF delegation on a stand-by arrangement (SBA) are proceeding well and a deal is likely if terms can be reached.

In a separate January 13 meeting, Transportation and Communications Minister Binali Yildirim underlined the need for flexibility in an IMF deal. Ekren provided an update on the Southeastern Anatolia Project (GAP), noting that Turkey is continuing with its \$11 billion, five-year investment to develop the southeast. The GOT's plan is to use organic farming, renewable energy, and tourism to boost the economy and bring Turkey's poorest provinces up to the standard of the rest of the country. End summary

¶2. (U) As DPM and State Minister for Economic Affairs, Ekren authoritatively said Turkey is now feeling the pinch of the economic crisis and is concerned about finding an export market for its products and gaining access to foreign financing. Ekren noted that consumer confidence and production are down and capacity utilization is at an 18-year low. He said the GOT's Medium Term Fiscal Framework (May 2008) helped to avert a more severe contraction.

Memo to the IMF: Be Flexible  
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¶3. (SBU) The Ambassador told Ekren we support Turkey in its plan to arrange a stand-by deal with the IMF, although the final decision rests with the GOT. Ekren told us the GOT has already cut \$3.8 billion in spending programs from the budget and the economic team is working with the IMF to cut out extra fat. Ekren said the IMF could be most helpful with external financing, since that is a large and growing problem for Turkish companies. Ekren said an IMF deal will be especially timely now with global capital markets changing almost daily. Ekren said a deal will be done if a "flexible model" can be negotiated, adding the GOT expects to get credit for significant economic gains over the last five to six years.

¶4. (SBU) In a separate meeting, Transportation Minister Yildirim described to the Ambassador the need to stimulate and rejuvenate the economy and then asked the Ambassador to "tell the IMF to treat us the way they treat you." He and the Ambassador discussed USG efforts to give money to banks with the goal to pass it on to customers and stimulate the economy. Since the banks generally held the money, the strategy was not successful. Yildirim noted President-elect

Obama's plan to rejuvenate the economy by having the U.S. Government build new roads, bridges, airports, and possibly even an advanced information superhighway. This way, Yildirim opined, everyone will win and money will spread throughout the economy. Unemployment will drop, trust will increase, and the vicious cycle of economic stagnation will end. Yildirim said the Turkish Government wants to do exactly the same thing and sees this method as the best way to reinvigorate the economy. He says the IMF opposes this plan, which Turkey sees as necessary for a deal. He echoed Ekren's point that Turkey and the IMF are not starting from scratch, and the IMF should credit Turkey for six years of good economic management and good relations during the SBA that matured in May 2008.

#### Meeting of Economic Counterparts

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15. (U) After President-elect Obama is inaugurated and his economic team is in place, DPM Ekren would like to bring a group of Turkey's top economic leaders to meet with them in Washington. In particular, he mentioned the Secretaries of State, Treasury, Commerce, and the top economic advisors. The Ambassador recommended a delay in these meetings until the whole team is in place, although he welcomed the idea in principle.

16. (U) On the GAP, Turkey plans to spend 4 billion TL (\$2.58 billion) in 2009. Reftel describes the GOT's five-year plan to increase the standard of living and boost economic prospects of the poorest nine provinces up to the levels enjoyed by the rest of the country. Ekren thinks Turkey could be a good candidate for an organic agriculture center

to supply fruits, vegetables, and animal products to other countries in the region. He said renewable energy projects and tourism could also boost the GAP's prospects.

17. (U) Ekren closed the meeting reemphasizing the Prime Minister's plan to turn Istanbul into an international financial center by relocating the Central Bank, banking regulator, and the top state-owned banks to Turkey's biggest city. Ekren and the Ambassador discussed plans for the October 2009 Istanbul meetings of the World Bank and IMF, which could be a good opportunity for Turkey to show off its prospects for making Istanbul a top destination for international financiers.

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